

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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OFFICE OF THE CLERK
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8
ITEMS 1-19
(January 5, 1998)

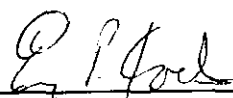
The United States Postal Service hereby provides its responses to the above items of Presiding Officer's Information Request No. 8, issued December 17, 1997. The questions are stated verbatim and are followed by the answer, with declarations from the witnesses. Items 20-22 were filed by the Postal Service on December 23, 1997. Several items refer to Table 1, which was attached to the POIR. A copy of Table 1 is attached to the response to item 2, the first item that refers to it.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making


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January 5, 1998

Response of Witness Lion to Presiding Officer's
Information Request No. 8, Question 1

1. In response to interrogatory OCA/USPS-T39-3, witness Needham provided a supplemental response on September 4, 1997, containing the statement of work (SOW) for a formal study on the quarter-mile rule. This study was due to be completed in October 1997. Please provide the written report and any other results of the study.

RESPONSE

A copy of the final report is being filed as library reference H-329, *Quarter Mile Study Final Report*.

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M Lion

Dated: 1/5/98

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NEEDHAM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

2. Refer to the attached Table 1.

- a. Please explain the method the Postal Service has used to develop the annual volumes of Special Handling transactions in Column 1.
- b. Please explain the method the Postal Service has used to develop the annual revenue from Special Handling transactions in Column 9.

RESPONSE:

a. Please note that the volume for 1984 used in Table 1 should be 2,189 instead of 3,189. The annual special handling volumes in Column 1 of Table 1 are from the special handling billing determinants.

b. The annual special handling revenues in Column 9 of Table 1 are from the special handling billing determinants.

Table 1
Special Handling

Year	Volume 1/		Total Cost 2/		Cost Per Piece 3/		Revenue 4/		Revenue Per Piece 5/		Cost Coverage 6/
	Amount	Annual	Amount	Annual	Amount	Annual	Amount	Annual	Amount	Annual	
	(000)	Growth	(000)	Growth	(Cents)	Growth	(000)	Growth	(Cents)	Growth	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1980	3,749		1,083		28.9		2,973		79.3		274.5%
1981	3,236	-13.7%	524	-51.6%	16.2	-43.9%	2,594	-12.7%	80.2	1.1%	495.0%
1982	2,649	-18.1%	865	65.1%	32.7	101.7%	2,270	-12.5%	85.7	6.9%	262.4%
1983	2,377	-10.3%	368	-57.5%	15.5	-52.6%	1,987	-12.5%	83.6	-2.5%	539.9%
1984	3,189	34.2%	563	53.0%	17.7	14.0%	1,859	-6.4%	58.3	-30.3%	330.2%
1985	1,812	-43.2%	1,157	105.5%	63.9	261.7%	1,931	3.9%	106.6	82.8%	166.9%
1986	1,359	-25.0%	126	-89.1%	9.3	-85.5%	1,771	-8.3%	130.3	22.3%	1405.6%
1987	876	-35.5%	119	-5.6%	13.6	46.5%	1,100	-37.9%	125.6	-3.6%	924.4%
1988	728	-16.9%	106	-10.9%	14.6	7.2%	1,049	-4.6%	144.1	14.8%	989.6%
1989	343	-52.9%	580	447.2%	169.1	1061.3%	674	-35.7%	196.5	36.4%	116.2%
1990	329	-4.1%	103	-82.2%	31.3	-81.5%	584	-13.4%	177.5	-9.7%	567.0%
1991	308	-6.4%	850	725.2%	276.0	781.5%	603	3.3%	195.8	10.3%	70.9%
1992	540	75.3%	1,530	80.0%	283.3	2.7%	1,057	75.3%	195.7	0.0%	69.1%
1993	421	-22.0%	2,274	48.6%	540.1	90.6%	839	-20.6%	199.3	1.8%	36.9%
1994	453	7.6%	3,112	36.9%	687.0	27.2%	863	2.9%	190.5	-4.4%	27.7%
1995	240	-47.0%	4,459	43.3%	1,857.9	170.4%	1,036	20.0%	431.7	126.6%	23.2%
1996	67	-72.1%	1,245	-72.1%	1,858.2	0.0%	397	-61.7%	592.5	37.3%	31.9%
1997F 7/	68	1.5%	1,272	2.2%	1,870.6	0.7%	421	6.0%	619.1	4.5%	33.1%
1998BR 8/	75	10.3%	1,285	1.0%	1,713.3	-8.4%	442	5.0%	589.3	-4.8%	34.4%
1998AR 9/	69	1.5%	1,283	0.9%	1,859.4	-0.6%	1,310	211.2%	1,898.6	206.7%	102.1%

1/ Source: Docket R97-1, LR H-187, Page 11 of 19.

2/ Source: CRA, Cost Segments and Components.

3/ COL(3) / COL(1) * 100

4/ Source: Docket R97-1, LR H-187, Page 11 of 19.

5/ COL(7) / COL(1) * 100

6/ COL(7) / COL(3)

7/ Docket R97-1, Postal Service forecast figures for FY 1997. Sources: Exhibit USPS-15C and USPS-T-30, W/P IV, Page 1 of 3 (Revised 7-23-97).

8/ Docket R97-1, Postal Service forecast figures for TYBR. Sources: Exhibit USPS-15F and USPS-T-39, WP 13 (Revised 11-20-97).

9/ Docket R97-1, Postal Service forecast figures for TYAR. Sources: Exhibit USPS-15I and USPS-T-39, WP 13 (Revised 11-20-97).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NEEDHAM TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

3. Refer to the attached Table 1, Column 1. Special Handling volume has declined from 3,749,000 in FY 1980 to 67,000 in FY 1996 (a 98% decrease). Is the Postal Service aware of factors other than price that may have caused to dramatic reduction in the use of Special Handling?

RESPONSE:

The Postal Service believes that a significant portion of special handling volume was diverted to expedited mail services. This is not to say that expedited mail is a substitute for the true characteristics of special handling, but some products are used as alternatives to other products if the customers feel they are getting comparable service. Another possible non-price factor for the decline in special handling volume from 1980 to 1995 is a probable decline in the number of small businesses that rely on special handling for delivery.

Since the special handling fee increases on January 1, 1995, it has become apparent that the current prices for special handling are a major factor of the substantial volume decline. Those customers currently using special handling have little or no alternatives for transporting live animals. The other portion of the pre-1995 special handling customer base moved on to either other or no alternatives to special handling after the 1995 fee increases, thereby leaving special handling service with the costliest mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NEEDHAM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

4. *Refer to the attached Table 1.*
- a. Do the annual volumes in Column 1 include the volumes of Special Handling used by the Postal Service itself?
 - b. Please provide the USPS Special Handling transactions for all years in Table 1.
 - c. Please explain the method used to estimate the annual volume of USPS Special Handling transactions if that method is different from the method used to develop the annual volume of Special Handling transactions from all other sources.

RESPONSE:

- a. No.
- b. 1980 - 11,153
1981 - 3,607
1982 - 3,701
1983 - 1,729
1984 - 1,070
1985 - 1,920
1986 - 0
1987 - 9,335
1988 - 0
1989 - 13
1990 - 508
1991 - 1,387

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NEEDHAM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

4. Continued

1992 - 3,935

1993 - 1,271

1994 - 1,148

1995 - 14,274

1996 - 14,883

c. Not applicable.

DECLARATION

I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: 1/5/98

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

5. Refer to the attached Table 1, Columns 1-6. Although there is a clear downward trend in the volume of Special Handling, costs fluctuate almost randomly. In the 90's (FY 1990-FY 1996), the volume has declined from 329,000 to 67,000 (an 80% decrease), yet costs have risen from \$103,000 to \$1,245,000 (a 1,109% increase.) Please explain this counterintuitive phenomenon which has caused the cost per piece to increase from 31.3 cents in 1990 to \$18.58 in 1996 (a 5,837% increase).

POIR No. 8, Item 5 Response:

Several items have led to the increased cost of Special Handling. First there was the rate increase in January 1995 from the R94-1 omnibus rate proceeding. This likely caused the less costly items (including many of the mail pieces for which special handling was an option) to migrate out, leaving the relatively more expensive items that are required to use special handling, such as baby chicks and honeybees. So while the volume has declined, the pieces remaining are more costly to handle due to weight, shape, and/or contents effects.

A second item is the effect of mechanization and automation. To the degree that mail pieces bypass mechanized and automated processing, opportunities for cost savings are minimized. Most Special Handling pieces require manual processing and additionally require costly expedited transportation.

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

POIR No. 8, Item 5 Response continued:

Moreover, special handling volume is such that the incidence in any one facility is minimal; this allows for very little, if any, operational innovation. In other words, when a facility receives crickets or live chicks once or twice a year, optimizing the processing of these items does not get into the facility plan. Also, the volumes contained in Table 1 do not include Postal Service volume. When Postal Service volumes are included, the cost per piece is lower. Finally, although costs have increased from 1980 to 1996, and although the factors described above would account for above-average cost increases, it should be noted that fluctuations are common in categories with very few tallies.

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

6. Refer to the Attached Table 1, Column 3.

b. The costs in this column include neither delivery nor transportation costs. Please provide any studies that have been done to determine the cost of preferential handling of a *Special Handling piece in dispatch, transportation, and delivery* (see Response of witness Needham to interrogatories DBP/USPS-21e, f and b).

POIR No. 8, Item 6(b) Response:

I know of no special studies relating to the cost of preferential handling of a *Special Handling piece in dispatch, transportation or delivery*.

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

7. The window service cost per piece for Special Handling has increased from 14.1 cents in FY 1980 to \$7.17 in FY 1996 (a 4,972% increase). Please discuss the factors that have led to that result.

POIR No. 8, Item 7 Response:

First, as background, special handling pieces receive more attention than ordinary Standard pieces. For instance, when a special handling piece arrives at the window, the piece is segregated from other Standard pieces and sent to the distribution center for further processing. When the piece arrives at the destinating post office, a clerk may call the customer to let him know that the piece has arrived and to determine how the customer wants the piece to be delivered. The customer may opt to pick up the piece at the window, depending on the contents of the piece or arrangements made between the clerk and the customer. These factors would be expected to cause more tallies at the window relative to an ordinary Standard parcel.

The factors that may have led to increased cost per piece in window service over time is as follows: It is likely that the pieces that continue to use the Special Handling service since the rate increase in January 1995 are those that are required to do so, such as baby chicks and honeybees, which have a higher cost per piece than average because extra care is given so that the animals arrive alive. Also, over the relevant time period, the number of

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

POIR No. 8, Item 7 Response continued:

windows tallies were few (e.g. 5 in 1991, 15 in 1992, 13 in 1993, 17 in 1994), such that a small increase in tallies caused relatively large percentage changes. And as described in #5 above, because special handling volume is such that the incidence in any one facility is minimal; this allows for very little, if any, operational innovation, so that optimizing the window processing of these items may not be a top priority.

Also, the volumes contained in Table 1 do not include Postal Service volume. When Postal Service volumes are included, the cost per piece is lower. Finally, although costs have increased from 1980 to 1996, and although the factors described above would account for above-average cost increases, it should be noted that fluctuations are common in categories with very few tallies.

**Response of United States Postal Service Witness Alexandrovich to
Presiding Officer's Information Request No. 8**

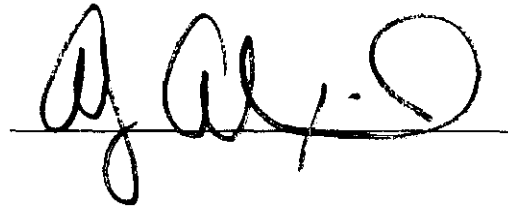
8. In FY 1996, the Window Service cost for Special Handling was \$7.17 per piece, which is nearly 40 percent of total cost per piece. Please describe, in detail, the Window Service activities that are performed for a Special Handling parcel and explain how this differs from an ordinary Standard B parcel. Please explain why the cost for Window Service is so high relative to total cost per piece.

POIR No. 8, Item 8 Response:

As discussed in response to item 7, it is my understanding that when a special handling piece arrives at the window, the piece is segregated from other Standard pieces and sent to a mail distribution center (PDC rather than a BMC) for further processing. When the piece arrives at the destinating post office, a clerk may call the customer to let him know the piece has arrived. Finally, the customer may pick up the piece at the window, depending on the contents of the piece or arrangements made between the clerk and the customer. These extra clerk contacts and duties are factors that would be expected to cause more tallies at the window relative to an ordinary Standard parcel.

DECLARATION

I, Joe Alexandrovich, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read 'Joe Alexandrovich', written over a horizontal line.

Dated: 1/5/98

**Response of United States Postal Service Witness Moden to
Presiding Officer's Information Request No. 8**

9. Please describe, in detail, the differences in processing, transportation, and delivery between a Special Handling parcel and an identical parcel without Special Handling.

POIR No. 8, Item 9 Response:

Special handling pieces demand their own mailstream. Consequently each piece is identified at each stop from acceptance to delivery. This identification is necessary because at each stop a decision is made as to how to best get the piece to the next leg of the process. When a special handling piece arrives at the window, it is separated from other standard parcels and sent to a processing and distribution center. At the distribution center, decisions are made as to the best means for processing and transportation to the next stop that is consistent with the contents of the piece. Generally, special handling pieces must be handled more delicately in order to prevent damage. For instance, special handling pieces may have to be placed carefully into a container while a piece without special handling may be tossed into a container. Similarly, special handling pieces must often be handled individually as opposed to other Standard pieces that can be handled in bulk. The choice of transportation is determined by best means, (e.g. shortest or safest mode) consistent with the contents of the parcel. Special care is taken in processing, transportation and delivery, such as keeping live contents out of the freezing cold and extreme

**Response of United States Postal Service Witness Moden to
Presiding Officer's Information Request No. 8**

POIR No. 8, Item 9 Response continued:

temperatures or unloading it first or loading last in transportation. At the delivery unit, the mode of delivery is decided based on the nature of the product receiving the special handling service and the wishes of the customer.

Sometimes the customer picks up the piece after being contacted by the clerks.

Sometimes the piece is delivered routinely.

DECLARATION

I, Ralph J. Moden, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Ralph J. Moden

Dated: 1-5-98

Response of United States Postal Service Witness Degen
To Presiding Officer's Information Request No. 8

6. a. Please provide the number of IOCS tallies used to develop the costs for Special Handling for each fiscal year from 1990 to 1996.

6. a. Response.

Please see the following table for the requested information.

IOCS Special Handling Tallies (Activity Code 0020), FY 1990--FY 1996

Category	Fiscal Year						
	1990	1991	1992	1993	1994	1995	1996
Clerk/Mailhandlers:							
Mail Processing	3	3	6	2	4	6	5
Window Service	0	5	15	13	17	12	4
Total	3	8	21	15	21	18	9

Response of United States Postal Service Witness Degen
To Presiding Officer's Information Request No. 8

10. Refer to Testimony of witness Degen (USPS-T-12), Table 7, "Estimated Costs and Associated Confidence Limits By Direct Cost Category (NEW methodology)" (Revised 10/17/97), and Table 2 (OLD methodology). Special Handling is not listed separately in these tables. Please provide the estimated coefficients of variation, and the lower and upper 95 percent confidence limits for Special Handling, using the methods in Tables 2 and 6.

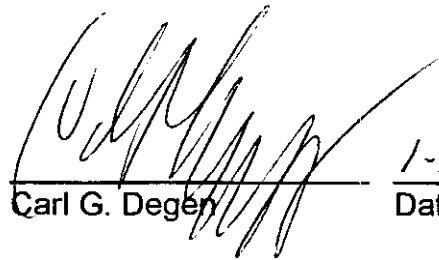
10. Response.

Please see the following table for the requested information.

Estimated Costs and Associated Confidence Limits, Special Handling

	OLD methodology (Table 2)	NEW methodology (Table 6)
Est. Cost (\$000)	241	182
Est. Coefficient of Variation	51.69%	52.89%
Lower 95% Confidence Limit	-3	-7
Upper 95% Confidence Limit	486	370

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.



Carl G. Degen

1-5-98
Date

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

11. Refer to LR-H-172, "Derivation of After-Rates Fixed Weight Price Indices," Spreadsheet STASP96A.WK4, "Standard A Single Piece." Please provide the source of the rate "3.25" in Cells BULK:V22 through BULK:V26.

RESPONSE:

This value is intended to be the rate for Priority Mail weighing under 2 pounds, and should be \$3.20, rather than \$3.25. The \$3.25 figure came from a preliminary set of rates investigated prior to the Postal Service's filing of R97-1. This figure was inadvertently retained in the file STASP96A.WK4 when the 2-pound Priority Mail rate was finalized at \$3.20.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

12. Refer to LR-H-295, "Diskette Relating to Revisions of Dr. Tolley, USPS-T-6," Spreadsheet SF_R97AR.WK4. Please provide the source of the Mailgram FWI entry of "\$0.566841" in cell FWIs:X8.

RESPONSE:

This cell is not used for any purpose, and could be set to any arbitrary non-zero value without affecting the volume forecast of Mailgrams or any other mail category. The specific value of \$0.566841 comes from a revenue forecasting spreadsheet used internally by the Postal Service several years ago, and has no particular relevance.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

13. Refer to LR-H-172, "Derivation of After-Rates Fixed Weight Price Indices," Spreadsheet COD96A.WK4, "Special Services - COD." Please provide the source of figure 2,765.514 which appears in the formulas in Cells A:C15 and A:C16. Also explain the difference between the total FY 1996 COD volume of 5,397,651 transactions in Cell A:C24 and the total COD transactions of 4,860,462 reported in Table K-2 of LR H-145 "Billing Determinants, Fiscal Year 1996."

RESPONSE:

The figure 2,765.514 is the number of COD transactions valued at less than \$50 from the 1995 billing determinants. This number should have been updated to reflect 1996 billing determinants. The correct figure would have been 2,228.325. The source of this figure is LR H-145, Table K-2. If the correct figure of 2,228.325 is used in the formulas in Cells A:C15 and A:C16, then the total FY 1996 COD volume in Cell A:C24 will be exactly equal to 4,860,462, as reported in Table K-2 of LR H-145.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

14. Refer to LR-H-312, "Diskette of Lotus Spreadsheets Provided by Dr. Tolley in Response to POIR No. 7," Spreadsheet D3N_NL.WK4. Please confirm that the following changes should be made in TYBR nonletter discounts for Standard A Nonprofit mail:

- a. Cell A:D9, figure \$0.029 should be changed to \$0.000.
- b. Cell A:D17, figure \$0.013758 should be changed to \$0.024.
- c. Cell A:D21, figure \$0.021074 should be changed to \$0.024.

RESPONSE:

(a) - (c). Confirmed.

RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

16. According to witness Needham's response to POIR No. 5, Question 2, RPW volume figures for Certified Mail include return receipt for merchandise transactions. In LR-H-295, "Diskette Relating to Revisions of Dr. Tolley, USPS-T-6," Spreadsheets VV_R97.WK4, Cells Data:BS15 through Data:BS22 and VV_R97AR.WK4, Cells Data:BU15 through Data:BU22, witness Tolley inputs in his volume forecasting model quarterly RPW Certified Mail volume data for the period 1995Q3 through 1997Q2. These volume data are used by witness Tolley to develop the base year volume for Certified Mail.

a. Please confirm that the TYBR and TYAR forecasts of Certified Mail are overstated because RPW volume data, which include return receipt for merchandise volumes, have been used in the base year.

b. Please provide corrected quarterly RPW Certified Mail volume data for LR H-295, Spreadsheets VV_R97.WK4, Cells Data:BS15 through Data:BS22 and VV_R97AR.WK4, Cells Data:BU15 through Data:BU22 after removing the return receipt for merchandise volumes.

RESPONSE:

a. Not confirmed. As stated on page A-22 of my testimony at lines 25 and 26, "[t]he volume adjustment multiplier for certified mail is used to remove merchandise return receipts as was done by the Postal Rate Commission in MC96-3." The volume adjustment multiplier in cell Data:BU24 of VV_R97AR.WK4 and cell Data:BS24 of VV_R97.WK4 removes the 3.324 million pieces of merchandise return receipt from the base volume of certified mail. Hence, the forecasted volumes of certified mail presented in my testimony do not include merchandise return receipts.

b. I do not have data which isolates merchandise return receipts from certified mail volume prior to 1996. For 1996 and 1997 (i.e., Cells Data:BS17 through Data:BS22 of VV_R97.WK4 and Cells Data:BU17 through Data:BU22 of VV_R97AR.WK4), certified mail is broken down as follows (numbers are in millions of pieces):

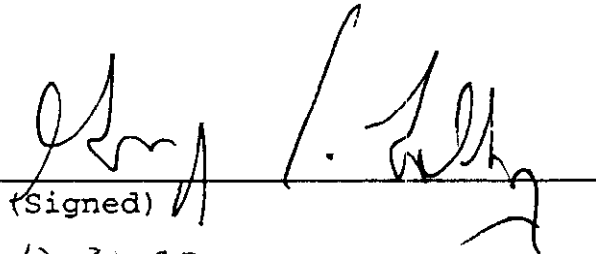
RESPONSE OF POSTAL SERVICE WITNESS TOLLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

	<u>Certified Mail</u>	<u>Merchandise Return Receipts</u>	<u>Total Volume Reported by RPW</u>
1996Q1	58.786	0.611	59.397
1996Q2	57.009	0.625	57.635
1996Q3	65.729	0.914	66.643
1996Q4	83.954	0.834	84.788
1997Q1	70.603	0.826	71.429
1997Q2	59.527	0.750	60.277

If these figures are used to replace the figures currently in VV_R97.WK4 and VV_R97AR.WK4, then the volume adjustment multiplier for certified mail needs to be set equal to 1.0 in order to avoid inadvertently removing merchandise return receipts from certified mail volume twice. Replacing the certified mail volumes in VV_R97.WK4 and VV_R97AR.WK4 with the figures excluding merchandise return receipts and setting the certified mail volume adjustment multiplier equal to one will, of course, yield the exact same forecast for certified mail volume as presented by me in LR H-295.

DECLARATION

I, George Tolley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.


(Signed)

12-31-97

(Date)

RESPONSE OF WITNESS O'HARA TO PRESIDING OFFICER
INFORMATION REQUEST NO. 8

15. Refer to Exhibit USPS-30B, page 43, "Summary of Estimated Fiscal Year 1998 After Rates Finances," (revised 9/19/97), line 48, Other Income" (217,242). Please provide an itemized list of the components which make up this sum. Also include account numbers, descriptions, and base year and TYBR amounts.

RESPONSE:

The information requested is provided on the attached spreadsheet. Dollar amounts for the individual accounts are available only for FY 1996. For FY 1997, TYBR, and TYAR, only total Other Income is estimated, and this was assumed to remain constant at \$215,531,000. The minor difference between this figure and FY 1996 actual Other Income is due to the use of a preliminary estimate that was not updated to reflect final FY 1996 results. Also, for TYAR, this figure was increased by \$1,711,000 due to growth in fees as explained in USPS-T-40, Workpaper 14.

Docket R97-1 Summary of Other Income in Dollars

Account #		Description of Revenue	A/P 14 Trial Balance	Audit Adj.	FY 96 Actual	FY 97 Estimate	Test Year BR Est.	Test Year AR Est.
Primary	Sub							
41500		Estimated Miscellaneous Revenue For CAG H-L Offices	9,491		9,491			
42101		Revenue from Packaging Products	(226,912)		(226,912)			
42101	093	Revenue from Packaging Products	(51,381,434)		(51,381,434)			
42102		Postal Related Retail Products	8,733		8,733			
42102	098	Postal Related Retail Products	(1,854,981)		(1,854,981)			
42105		Olympic Retail Products	2,683		2,683			
42105	099	Olympic Retail Products	-		-			
42107	092	Philatelic Retail Products	(30,732,244)		(30,732,244)			
42321	170	Food Coupon Transaction Fees	(243,102)		(243,102)			
42322	169	Food Coupon Supplemental Income	(1,828)		(1,828)			
42323		Payments to State Agencies for Food Coupon Losses	14,334		14,334			
42323	622	Payments to State Agencies for Food Coupon Losses	3		3			
42341		Migratory Bird Stamp Fees	(372,160)		(372,160)			
43300		Estimated Retail Services Revenue for CAG H-L Offices	(10,869)		(10,869)			
43330		On Site Meter Setting Fees	(4,029,050)		(4,029,050)			
43333	141	Merchandise Return Service Fees	(111,843)		(111,843)			
43350		Photo Copy Service Fees	(4,004)		(4,004)			
43350	123	Photo Copy Service Fees	(3,558,240)		(3,558,240)			
43360	128	Commemorative Stamp Club Subscriptions	(402,985)		(402,985)			
43370	129	Change of Address Information Fees	(494,984)		(494,984)			
43380		Privacy Act Copy Fees	(28)		(28)			
43380	127	Privacy Act Copy Fees	(61,445)		(61,445)			
43381		Mailing List Correction Fees	36		36			
43381	120	Mailing List Correction Fees	(701,727)		(701,727)			
43383		Permit Imprint Application Fees	224		224			
43383	140	Permit Imprint Application Fees	(7,785,540)		(7,785,540)			
43387		Retail Services Performed for Contractors by USPS Personnel	92,848		92,848			
43387	147	Retail Services Performed for Contractors by USPS Personnel	(48,378)		(48,378)			
43388		Freedom of Information Act Search & Copy Fees	(98,040)		(98,040)			
43388	198	Freedom of Information Act Search & Copy Fees	(97,514)		(97,514)			
43389		Retail Service Refunds	166,785		166,785			
43389	535	Retail Service Refunds	4,218,262		4,218,262			
43392	465	Transfer of Traveler Check Fees to American Express	3,741		3,741			
43393	155	Traveler Check Fees	(9,546)		(9,546)			
43396	092	International Philatelic Sales	(6,348,701)		(6,348,701)			
43397	563	International Philatelic Sales Returns	1,252,519		1,252,519			
43420		Passport Application Fees	(23,085,831)		(23,085,831)			
44028		Unclaimed Monies from Dead Letters & Parcels	4,370		4,370			
44028	146	Unclaimed Monies from Dead Letters & Parcels	(1,058,755)		(1,058,755)			
44028	549	Unclaimed Monies from Dead Letters & Parcels	195,593		195,593			
44029		Receipts from Auction of Unclaimed Merchandise	-		-			
44029	145	Receipts from Auction of Unclaimed Merchandise	(2,710,790)		(2,710,790)			
44030		Miscellaneous Revenue	(46,913,142)	1,700,000	(45,213,142)			
44030	126	Miscellaneous Revenue	(41,828,889)		(41,828,889)			
44031		USPS Parking Fees	(236,139)		(236,139)			
44032	106	Money by Wire Fees	(34,007)		(34,007)			
44032	222	Money by Wire Fees	-		-			
44033		Revenue from Forfeited Property	(2,594,783)		(2,594,783)			
44034		Licensing Fees from Oracle Corporation	-		-			
44035		Revenue from Use of USPS Security Personnel by U.S. Marshalls	(2,043,715)		(2,043,715)			
44036		Sale of Postal Antiques	-		-			
44036	157	Sale of Postal Antiques	(70,142)		(70,142)			
44037		Second vs. Third Class Fee Differential	60		60			
44037	122	Second vs. Third Class Fee Differential	(460,117)		(460,117)			
44039		Miscellaneous Refunds	454,342		454,342			
44039	624	Miscellaneous Refunds	4,404,994		4,404,994			
44041	063	Pack and Send Service	(82,309)		(82,309)			
49210		Information & Directives Access Fees	(135)		(135)			
		Total Other Income	(218,865,292)	1,700,000	(217,165,292)	(215,531,000)	(215,531,000)	(217,242,000)

DECLARATION

I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

1-5-98
Date


Donald J. O'Hara

REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

17. Refer to USPS LR H-207, "Diskettes of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP-3 "Restricted Delivery," and WP-4 "Return Receipts." According to witness Needham's response to POIR No. 5, Question 2, the RPW FY 1996 Certified Mail volume of 270,832,000 transactions used by witness Plunkett to forecast restricted delivery and return receipts for Certified Mail includes return receipt for merchandise volume. Please confirm that the Certified Mail volume of 267,814,776 transactions from FY 1996 Billing Determinants, excludes return receipt for merchandise and USPS volumes, and should be used in the forecasts of restricted delivery and return receipts.

17. Response:

Confirmed.

REVISED RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

19. Refer to USPS LR H-207, "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers, WP-4, "Return Receipts." Please explain why the TYAR Certified Mail volume (289,652,691), adjusted for Delivery Confirmation and Packaging Service, is used to forecast return receipts for Certified Mail; whereas the unadjusted TYAR Insurance volume (30,600,000) is used to forecast return receipts for insured mail.

19 Response:

As the TYAR Return Receipt volume contains explicit adjustments for Packaging Service and Delivery Confirmation the unadjusted numbers should be used for both the certified and insured mail volumes.

DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



MICHAEL K. PLUNKETT

Dated: JANUARY 5, 1998

Postal Service Witness Sharkey Response
to Presiding Officer's Information Request No. 8, Question No. 18

18. Refer to Exhibit USPS-33R, page 4, "Priority Mail Delivery Confirmation Certified and Return Receipt Adjustments." Footnote 4 states that one of the factors in determining the adjustment for Certified Mail is "TYAR Volume Adjustment Factor" (1.086708931), which is calculated by dividing TYAR Certified Volume (293,118,000) by 1996 Certified Volume (269,730,000). According to witness Needham's response to POIR No. 5, question 2, this 1996 Certified Volume (269,730,000) includes certified USPS pieces. Please confirm that the Certified Mail volume of 267,814,776 transactions from FY 1996 Billing Determinants, excludes certified USPS pieces, and should be used instead.

Response:

Confirmed.

DECLARATION

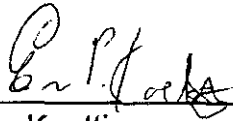
I, Thomas M. Sharkey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Thomas M. Sharkey

Dated: 12/18/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Eric Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
January 5, 1998